
Negotiation Essentials

By Lothar Katz

My wife and I just returned from a very nice vacation in a beautiful country in Central America. Not only did we have a great time—we also enjoyed a few good deals.

For example, we paid around \$24 for a taxi ride for which the asking price was \$30. We shelled out \$40 for a two-hour boat ride that set other couples back a steep \$100. We got 25% off for two nights at a splendid beach resort although we had simply walked in rather than booking at an online discount rate.

You think it took a lot of time and effort to negotiate these deals? Not really. All we had to do was follow a few simple rules. These rules apply to your personal affairs as much as they do in the world of business. They also work in most countries around the world. Amazingly, I have found again and again that these rules are often overlooked:

Never Accept the First Offer

To most members of the human race, negotiating is a game. A serious one, sure, but nonetheless one to be played and enjoyed. I'm not talking about the U.S., Canada, or much of Europe here. Most Latin Americans, Africans and Asians, however, as well as many Southern Europeans, share this playful attitude. To them, the first offer is just the opening move in the game. Accepting it right away means you're refusing to play.

In all of the above settings, and in many other such situations, we rejected the first offer received, asking for a better price instead. We got one—almost every time.

Do Your Homework

Without knowing how much something *should* cost, you are all but guaranteed to end up overpaying. Do your homework and find out upfront. Sure, there's a limit to how much time you'll want to spend on this, but the return on the time invested often makes it more than worth your while.

In case of the taxi ride, for instance, our 'homework' consisted of asking at our hotel how much the ride normally cost. That took but a minute and saved \$6. Before the two-hour boat ride, we talked to two other vendors offering such rides in the area to find out about their pricing. Five minutes spent, \$60 saved.

Leverage Your BATNA

You probably heard of the 'BATNA', the 'Best Alternative to the Negotiated Agreement.' Those corporate types might dish up the term trying to impress you with their negotiation savvy, but let's be honest here: all it really means is "What's your next best option?"

In case of the two-hour boat ride, once we had done our homework and identified our BATNA, we stumbled across our most attractive option: a nicer-looking tour, albeit at a much steeper asking price. We refused and pointed to the pricing we'd get elsewhere.

Since the company already had others signed up for the tour, meaning we offered incremental revenues at no incremental cost, they accepted our counteroffer.

At the beach resort, we knew we had other options in the vicinity. Although it was already late in the day, leveraging this knowledge was all it took to get the receptionist to offer a significant discount. This again took only a few extra minutes, for savings of well over a hundred dollars!

Following these essential negotiation rules doesn't take much. All you've got to do is remember them and spend a little time in order to prepare accordingly. Time worth spending? I think so.

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A seasoned former executive of Texas Instruments, a Fortune 500 company, Lothar regularly interacted with employees, customers, outsourcing partners, and third parties in more than 25 countries around the world. He teaches International Project and Risk Management at the University of Texas at Dallas' School of Management and is a Business Leadership Center Instructor at the Southern Methodist University's Cox School of Business.

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